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SUBJECT:IEX LETTER TO ADDRESSEE POSTS ON FUNDING

DIFFICULTIES

1. ALLEN KASSOF OF IEX ON AUGUST 5 WROTE TO AMBASSADORS AT EAST EUROPEAN POSTS REPORTING FUNDING DIFFICULTIES AND INDICATING THAT IEX PROGRAMS IN EASTERN EUROPE MAY BE TERMINATED IF PROJECTED GAP OF DOLS 500,000 IN IEX BUDGET IS NOT FILLED. DEPARTMENT HAD BEEN INFORMED BY IEX THAT LETTER WAS TO BE SENT BUT KASSOF DID NOT DISCUSS CONTENTS WITH DEPARTMENT AS WE HAD SUGGESTED.

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2. WE REGARD LETTER AS IREX'S OPENING MOVE IN ITS NEGOTIATION OF THE CU FY 1977 GRANT-IN-AID. TO PUT THE IREX LETTER INTO PERSPECTIVE, HERE ARE THE RESOURCES FOR THE IREX BUDGET IN FY 1976: CU/EE - DOLS 875,000; CU/WE - DOLS 36,000 (FOR GDR PROGRAM); NEH - DOLS 500,000; HEW/OE - DOLS 293,000 FOR OE FULBRIGHT-HAYS GRANTEES UNDER IREX PROGRAMS (DOLS 102,500 OF THIS AMOUNT IS FOR SIXTEEN AMERICAN GRANTEES IN EASTERN EUROPE); FORD FOUNDATION - DOLS 960,000. TOTAL RESOURCES DOLS 2,664,000, OF WHICH USG CONTRIBUTION IS DOLS 1,704,000. FORD FOUNDATION CONTRIBUTION WILL BE REDUCED TO DOLS 700,000 IN FY 1977.

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3. SHORTFALL IN IREX BUDGET IS DUE TO RAPIDLY INCREASING COSTS OF ACADEMIC EXCHANGE PROGRAMS, REDUCED FORD FOUNDATION FUNDING, AND NEW IREX PROGRAMS INCLUDING COLLABORATIVE RESEARCH IN SOCIAL SCIENCES WITH SOVIET ACADEMY, AGREED TO IN 1975, BUT NOW MOVING INTO IMPLEMENTATION STAGE.

4. DEPARTMENT VALUES THE IREX PROGRAM, AND CU GRANT WAS INCREASED BY DOLS 296,000 IN FY 1976 TO COMPENSATE FOR REDUCED FORD FOUNDATION FUNDING AND TO PROVIDE FUNDS FOR NEW GDR PROGRAM. IREX EXCHANGES FOR PROGRAM YEAR 1976/77 ARE ALREADY FUNDED, AND THE ADDITIONAL MONIES IREX IS SEEKING ARE FOR PROGRAM YEAR 1977/78. WE BELIEVE THAT THE 1977/78 PROGRAMS CAN BE MAINTAINED AT VIABLE LEVELS IF IREX WILL MAKE THE NECESSARY DECISIONS TO REDUCE COSTS AND DEFER SOME LOWER PRIORITY PROGRAMS UNTIL ADDITIONAL FUNDING IS AVAILABLE. IN THIS CONNECTION, IT SHOULD BE NOTED THAT, FOR 76/77 PROGRAM YEAR, 16 OF THE IREX SCHOLARS IN EE COUNTRIES WILL BE FULLY FUNDED BY HEW/OE FULBRIGHT-HAYS GRANTS, IN TOTAL AMOUNT OF APPROXIMATELY DOLS 100,000. IN ADDITION, IREX USES UNDETERMINED AMOUNT OF ITS ANNUAL CONTRIBUTION (DOLS 500,000) FROM NEH TO FINANCE OTHER

AMERICAN SCHOLARS TO EASTERN EUROPE. SIMILAR ASSISTANCE FROM HEW/OE AND NEH IS EXPECTED TO BE AVAILABLE FOR 1977-78 PROGRAM YEAR.

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5. THE DEPARTMENT HAS BEEN URGING IREX TO SEEK PRIVATE FUNDS IN ORDER TO REDUCE ITS DEPENDENCE ON USG AND THEREBY MAINTAIN THE INDEPENDENCE WHICH IREX VALUES SO HIGHLY.

AS ADDRESSEE POSTS ARE AWARE, THREE OF THE IREX PROGRAMS WITH THE USSR (GRADUATE STUDENTS, SENIOR SCHOLARS, AND SUMMER LANGUAGE TEACHERS) ARE OFFICIAL PROGRAMS UNDER THE US-USSR EXCHANGES AGREEMENT, AND THE CU/EE AND HEW/OE

GRANTS COVER COSTS OF THESE PROGRAMS. NON-OFFICIAL PROGRAMS INCLUDE THE EXCHANGE IN SOCIAL SCIENCES WITH THE SOVIETS (INCLUDING NEW COLLABORATIVE PROGRAM), AND ALL PROGRAMS IN EASTERN EUROPE. FOR NON-OFFICIAL PROGRAMS THERE IS NO POLICY INPUT FROM THE DEPARTMENT, NOR CONSULTATION ON PROGRAM CONTENT, OPERATIONS, OR LEVELS OF EXCHANGES.

6. ANY FURTHER INCREASES IN CU FUNDING OF IREX IN FY 1977 COULD BE AT COST OF CU'S OWN PROGRAMS IN USSR AND EASTERN EUROPE. WE ARE HOWEVER HOPEFUL THAT ADDITIONAL FUNDS WILL BE AVAILABLE IN FY 1978. IN THE MEANTIME THE BFS WILL BE REVIEWING THE CU AND BFS RELATIONSHIP WITH IREX. WE WILL KEEP POSTS INFORMED OF RESULTS OF THIS REVIEW, AS WELL AS

CU'S NEGOTIATIONS WITH IREX ON THE LEVEL OF ITS FY 1977 GRANT-IN-AID. WE WOULD WELCOME POSTS' VIEWS AS TO THE RELATIVE IMPORTANCE OF IREX PROGRAMS IN OVERALL COUNTRY PRIORITIES DURING PERIOD OF BUDGETARY RESTRAINT. KISSINGER

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